

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03

NSC-10 PA-03 PRS-01 SS-15 ACDA-19 IO-15 USIE-00

NSCE-00 SSO-00 INRE-00 DRC-01 /174 W

----- 071277

O 262121Z SEP 73

FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 7198

LIMITED OFFICIAL USE SECTION 1 OF 2 LIMA 7130

EO 11652: N/A

TAGS: BDIS, EMIN, EIND, PE

SUBJ: GOP OFFICIAL COMMUNIQUE DENIES CERRO CHARGES

AND ACCUSES CERRO OF PROVOCATION, SLANDER

AND DEFAMATION

REF: LIMA 7083 AND LIMA 7092

PLEASE PASS USIA WASH DC

1. SUMMARY: SEPTEMBER 23 OFFICIAL COMMUNIQUE FROM GOP
MINISTRY OF ENERGY AND MINES PUBLISHED FOLLOWING DAY
ACCUES CERRO OF BAD FAITH, GROSS MISREPRE-
SENTATION, DELIBERATE EFFORTS TO DESTROY COUNTRY'S INTER-
NATIONAL CREDIT RATING, AND CITES LONG HISTORY OF ABUSES
BY "POWERFUL, ANTISOCIAL, IMPERIAL" COMPANY IN FIELDS
OF TAXATION, FINANCE, HOUSING, SANITATION, POLLUTION
AND TREATMENT OF WORKERS. IT NOTES THAT PERUVIAN REVO-
LUTION NOT DISPOSED TO TOLERATE SUCH ACTIVITIES, BUT
FALLS SHORT OF ANNOUNCING TAKEOVER OF CERRO PROPERTIES.
INSTEAD, ENDS ON NOTE THAT MINMINES WILL EVALUATE AND

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ANALYZE THE ORIGINS, HIDDEN MEANINGS AND CONSEQUENCES OF
THE CERRO COMMUNIQUE. ALTHOUGH CONTAINING VERY STRONG

LANGUAGE, COMMUNIQUE IS CAREFUL TO EMPHASIZE NEED FOR ORDERLY TREATMENT OF ISSUE, WITH GOP WARNING "PUBLIC IN GENERAL AND WORKERS IN PARTICULAR TO MAINTAIN CALM BUT VIGILANT STANCE IN ORDER NOT TO FALL INTO TRAP OF PROVOCATION SET BY CERRO, AND TO ABSTAIN FROM ANY ACTIONS WHICH AT THIS TIME ESPECIALLY WOULD SERVE INTERESTS OF COUNTER-REVOLUTION." END SUMMARY

2. FOLLOWING ARE MAJOR SALIENT POINTS OF COMMUNIQUE PRESENTED BY SUBJECT MATTER RATHER THAN IN ORDER OF COMMUNIQUE.

(A) ACCUSATIONS OF BAD FAITH - GOP DENIES NEGOTIATIONS HAD ACTUALLY BEGUN, CITING ATTACHED LIST OF SIX POINTS COVERED IN SEPTEMBER 13 MEETING BETWEEN CERRO AND GOP; THUS IT WAS NOT POSSIBLE "NEGOTIATE IN BAD FAITH." IN SAME VEIN, GOP NOTES THAT CERRO INACCURATE TO QUOTE UNOFFICIAL PRESS STATEMENTS OF PRESIDENT VELASCO ON AUGUST 29 SINCE ONLY THE OFFICIAL VERSION OF PRESIDENTIAL STATEMENT IS TRUE AND ACCURATE ONE. FURTHER, READING OF PERTINENT DOCUMENTS INDICATES GOP HAD NOT MADE UNACCEPTABLE PROPOSALS, NOR HAD IT EITHER THREATENED COMPANY WITH CONFISCATION NOR UNILATERAL BUY-OUT PRICE. THUS, CERRO IS THE PARTY SHOWING BAD FAITH BY FAILING UNDERTAKE NEGOTIATIONS ON SEPT 27. ALSO, BAD FAITH SHOWN BY CERRO IN ITS "SLANDERS OF GOP" SINCE FORMER SAID GOP NOT LIVING UP TO AGREEMENT TO REMAIN SILENT ON DISCUSSIONS BETWEEN TWO PARTIES WITHOUT OTHER'S CONSENT. IN FACT, GOP CHARGES PRESIDENT MURPHY WITH VIOLATING THIS COVENANT BY GIVING PRESS CONFERENCE PUBLISHED IN WALL STREET JOURNAL AUG. 4-5 AT WHICH TIME HE ALLEGEDLY MADE PUBLIC REMARKS ABOUT FUTURE CONFISCATION. FURTHER, BAD FAITH DEMONSTRATED BY CERRO REFERENCES TO ALLEGED STATEMENTS BY FORMIN, STATEMENTS HE ASSERTEDLY NEVER MADE AND WHICH IN CONTEXT OF ARTICLES QUOTED BY CERRO ARE SHOWN TO BE FALSE.

(B) FINANCIAL ISSUES - GOP DENIES CAPRICIOUS TAX TREATMENT APPLIED AGAINST CERRO, STATES TAX LAWS APPLY TO ALL EQUALLY, AND COUNTERATTACKS WITH CLAIMS THAT LIMITED OFFICIAL USE
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CERRO FALSELY INCLUDED WITHIN ITS CAPITAL BASE \$62 MILLION IN SUBSOIL MINERAL RESERVES, A PROCEDURE WHICH CERRO HAD BEEN TOLD WAS ILLEGAL. RE CHARGE ABOUT \$50 MILLION IN FOREIGN EXCHANGE REMITTANCES PENDING, GOP SAYS \$11 MILLION OUT OF \$19 MILLION AUTHORIZED FOR PROFITS, AMORTIZATION AND DEPRECIATION IN 1972 AND 1973 REQUEST CURRENTLY BEING PROCESSED. IT ALSO ACCUSES CERRO OF ILLEGAL ACTIVITIES IN THIS FIELD, STATING THAT CERRO REQUEST TO REPATRIATE \$16 MILLION LOAN WAS NOT AUTHORIZED BECAUSE CERRO HAD

DELIBERATELY FALSIFIED FACT THAT LOAN WAS NOT FROM CERRO'S PARENT, CERRO NEW YORK, BUT FROM CERRO DE PASCO CORP. DELAWARE.

(C) MINING POLICIES AND LAWS - CERRO, COMMUNIQUE SAYS, DESIROUS OF COVERING REAL MOTIVES, PRESENTS FALSE INFO ABOUT PERU'S MINING POLICY AND TREATMENT OF FOREIGN INVESTMENT WITH CLEAR OBJECTIVE OF INJURING PERU'S COMMUNITY. REAL MOTIVE FOR SUCH ATTACK IS BASED ON CERRO'S INABILITY EXPAND OWN MINING OPERATIONS SINCE IT COULD NOT FIND SUITABLE FINANCING SOURCES OR PARTNERS FOR SUCH EXPANSION AND, IN FACT, WOULD HAVE BEEN FINANCIALLY PARALYZED WITHIN 3-5 YEARS. CERRO HAS BEEN

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 7199

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IN CONFLICT OVER YEARS WITH PERUVIAN AUTHORITIES DUE ABUSES IN FIELDS OF HOUSING, SOCIAL SERVICES AND POLLUTION DURING ITS 71-YEAR "ILL FATED HISTORY" IN PERU. GOP CITES SPECIFIC EXAMPLE STATING CERRO FAILED LIVE UP TO HOUSING OBLIGATIONS AS EARLY AS 1950 AND TO DEMONSTRATE THAT HOUSING IS INCOMPATIBLE WITH HUMAN DIGNITY INVITES INTERNATIONAL AND LOCAL PUBLIC, INTERNATIONAL PRESS, AND ESPECIALLY CERRO

STOCKHOLDERS TO COME TO PERU TO SEE THE TRUTH FOR THEMSELVES.

(E) EXPORT AUTHORIZATIONS - GOP MAINTAINS THAT DEPOSITS REQUIRED AT TIME OF EXPORT OF MINERALS AND OTHER TRADITIONAL EXPORTS IS A "NORMAL" PROCEDURE AND ADDS THAT CERRO NOW OWES PERU \$16 MILLION RECEIVED OVERSEAS FROM SALES WHICH HAS NOT BEEN REPATRIATED.

(F) FUTURE ACTION - FINAL PARAGRAPHS OF COMMUNIQUE STRESS THAT CERRO EFFORTS TO SLANDER AND DEFAME PERU OVERSEAS SO BLATANT THAT LOCAL CERRO EMPLOYEES DELIBERATELY AMENDED NEW YORK VERSION OF CERRO PRESS RELEASE FOR USE IN LIMA BECAUSE OF THEIR SHAME AT LIMITED OFFICIAL USE

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PUBLISHING SUCH FALSE AND IGNOMINIOUS STATEMENTS ABOUT PERU. COMMUNIQUE ENDS WITH DENUNCIATION BEFORE WORLD AND DOMESTIC OPINION OF THE EFFORTS TO CERRO TO PRESENT ITSELF AS A VICTIM WHEN IT ITSELF HAS CONDUCTED ITS OPERATIONS HERE DURING ITS "ILL-FATED" 71-YEAR HISTORY AS A "VERY POWERFUL, ANTISOCIAL AND IMPERIAL COMPANY THAT THE PERUVIAN REVOLUTION IS NOT DISPOSED TO TOLERATE UNDER ANY CIRCUMSTANCES." HOWEVER, COMMUNIQUE ENDS, NOTWITHSTANDING STRONG LANGUAGE, WITH WARNING TO PUBLIC IN GENERAL AND WORKERS IN PARTICULAR TO REMAIN VIGILANT BUT CALM AND NOT TO TAKE ACTION WHICH WOULD FALL INTO TRAP OF COUNTER-REVOLUTIONARIES. IN ADDITION, GOP NOTES IT WILL EVALUATE AND ANALYZE IN REVOLUTIONARY MANNER ("REVOLUCIONARIAMENTE") THE ORIGIN, HIDDEN INTENTIONS AND CONSEQUENCES OF THE CERRO PROVOCATION.

3. EMBASSY POUCHING OFFICIAL TEXT AS WELL AS COPY OF LIST OF SIX ISSUES TREATED IN SEPTEMBER 13 MEETING.
BELCHER

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